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ABSTRACT

This instructor guide for a unit on recordkeeping in the PACE (Program for Acquiring Competence in Entrepreneurship) curriculum includes the full text of the student module and lesson plans, instructional suggestions, and other teacher resources. The competencies that are incorporated into this module are at Level 2 of learning--planning for a business in one's future. Included in the instructor's guide are the following: unit objectives, guidelines for using PACE, lists of teaching suggestions for each unit objective/subobjective, model assessment responses, and overview of the three levels of the PACE program. The following materials are contained in the student's guide: activities to be completed in preparation for the unit, unit objectives, student reading materials, individual and group learning activities, case study, discussion questions, assessment questions, and references. Among the topics discussed in the unit are the following: reasons for maintaining comprehensive recordkeeping systems, individuals who should keep records, records required for regulatory agencies, types of records that should be maintained, journals and ledgers, daily sales and cash summaries, accounts receivable, accounts payable, payroll records, income and expense records, and inventory control. Sample records are included. (MN)

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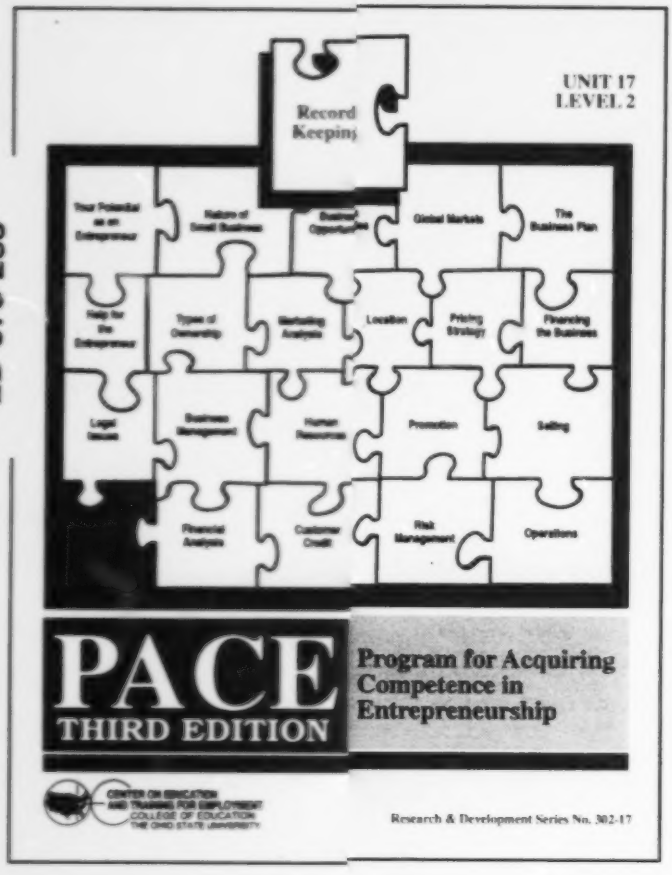

INSTRUCTOR GUIDE

Unit 17

Record Keeping

Level 2

HOW TO USE PACE

- Use the objectives as a pretest. If a student is able to meet the objectives, ask him or her to read and respond to the assessment questions in the back of the module.
- Duplicate the glossary from the *Resource Guide* to use as a handout.
- Use the teaching outlines provided in the *Instructor Guide* for assistance in focusing your teaching delivery. The left side of each outline page lists objectives with the corresponding headings (margin questions) from the unit. Space is provided for you to add your own suggestions. Try to increase student involvement in as many ways as possible to foster an interactive learning process.
- When your students are ready to do the *Activities*, assist them in selecting those that you feel would be the most beneficial to their growth in entrepreneurship.
- Assess your students on the unit content when they indicate they are ready. You may choose written or verbal assessments according to the situation. Model responses are provided for each module of each unit. While these are suggested responses, others may be equally valid.

Objectives:

- Explain the importance of effective record keeping.
- Discuss the value of using external record keeping assistance.
- Describe facility and equipment maintenance records.
- Identify records used for effective human resource management.
- Explain records used for financial management.
- Identify records necessary for effective inventory control

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Objectives	Teaching Suggestions
1. EXPLAIN THE IMPORTANCE OF EFFECTIVE RECORD KEEPING	
Why should you maintain a comprehensive record-keeping system?	Assuming they were business owners, ask students what they would want to keep a record of, and why. Record their responses on the board and discuss.
2. DISCUSS THE VALUE OF USING EXTERNAL RECORD KEEPING ASSISTANCE	
Who should maintain the business records?	Have the students imagine they are interviewing candidates for a new bookkeeper position in their company. What qualities would they look for in the future bookkeeper? Ask the student what basic qualities they would look for when setting up a new bookkeeping system. Tie this discussion back to the six points discussed at the end of the section. Ask the students who they could go to for help in setting up and maintaining their record-keeping system.
3. DESCRIBE FACILITY AND EQUIPMENT MAINTENANCE RECORDS	
4. IDENTIFY RECORDS USED FOR EFFECTIVE HUMAN RESOURCE MANAGEMENT	
What records are you required to keep for regulatory agencies?	Have students identify regulatory agencies that require businesses to keep records. Record their answers on the board.
What records should be maintained?	Arrange a field trip to a local accounting service bureau. Get permission in advance to review sample records. Include inventory control, maintenance, human resource management, and financial records in your tour discussion.
5. EXPLAIN RECORDS USED FOR FINANCIAL MANAGEMENT	
What are journals and ledgers?	Ask the students to identify the difference between a journal and a ledger.

Objectives	Teaching Suggestions
What is the daily sales and cash summary?	Create several cash, charge and credit transactions for a small business. Have students record the daily sales and cash summary.
How do you record accounts receivable?	Add several items to the accounts receivable record of Ann Flower and have students record them.
How do you record accounts payable?	Ask students to record several more items on the Complete Supply Company ledger.
How are income and expenses recorded in the ledger?	Ask students the type of income and expense ledgers they might have if they operated a restaurant. List appropriate responses on the board.
6. IDENTIFY RECORDS NECESSARY FOR EFFECTIVE INVENTORY CONTROL	
What is the inventory control function?	Ask students what inventory records a manufacturer who produced bicycles would need. Refer back to the inventory and purchasing section under What Records Should Be Maintained?

MODEL ASSESSMENT RESPONSES

1. The following external sources may offer record-keeping advice: (1) colleges and universities, (2) suppliers and trade associations, (3) government and educational organizations such as Small Business Development Centers (SBDC's) and Service Corp of Retired Executives (SCORE).

2. Business records provide the data necessary to formulate answers to the basic business performance questions. Many records are required by various federal, state, county and local agencies.

3. There are a number of records needed to manage an inventory. Some of the most important records include: purchase requisitions, file of unfilled purchase orders, list of suppliers, costs, and terms of past purchases, item perpetual inventory record, out of stock sheet, purchase order file, return goods file and price change book.

4. There are a number of records needed for financial management. Some of the most important financial statements include: sales and cash summaries, accounts receivable ledger, accounts payable ledger, profit and loss statements and balance sheets.

5. To effectively manage employees it is important to keep records of earnings and amounts withheld, withholding exemption certificates, hours worked, expense allowances, employment applications, benefits, and reasons for termination of employment.

6. A business manager needs to keep the following records on facility and production equipment: maintenance records and schedules, proportion of production rejections, and reasons for rejections.

7. The records are kept of the following activities to satisfy regulatory agencies: tax withholding, unemployment and workers compensation, permits and licenses, and compliance with various food and drug or agricultural regulations.

PACE
THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

Incorporates the needed competencies for creating and operating a small business at three levels of learning, with experiences and outcomes becoming progressively more advanced.

Level 1 — Understanding the creation and operation of a business.
Level 2 — Planning for a business in your future.
Level 3 — Starting and managing your own business.

Self-contained **Student Modules** include: specific objectives, questions supporting the objectives, complete content in form of answers to the questions, case studies, individual activities, group activities, module assessment references. **Instructor Guides** include the full text of each student module and lesson plans, instructional suggestions, and other resources. **PACE, Third Edition, Resource Guide** includes teaching strategies, references, glossary of terms, and a directory of entrepreneurship assistance organizations.

For information on PACE or to order, contact the Publications Department at the
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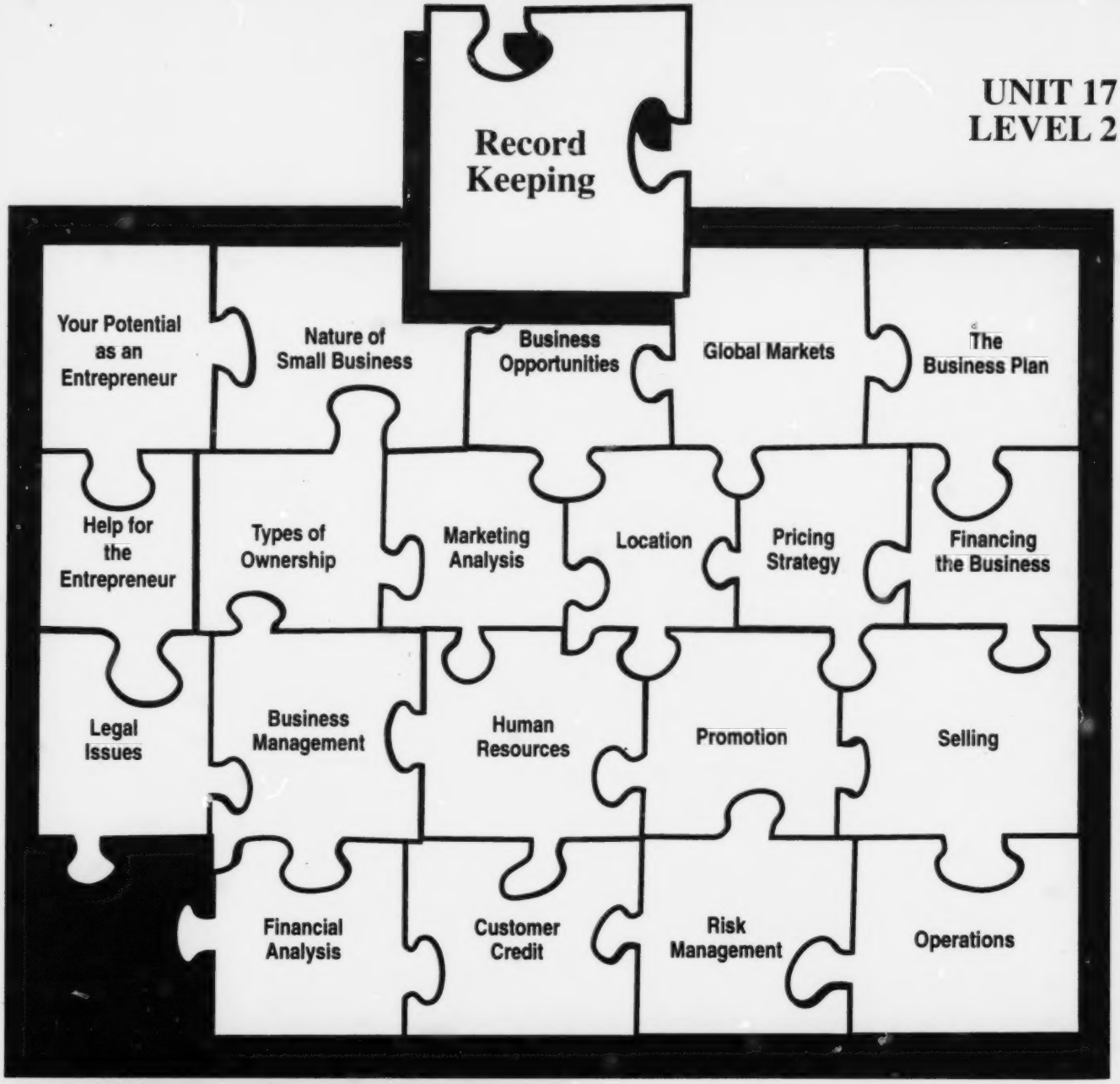
UNIT 17
LEVEL 2



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CENTER ON EDUCATION AND TRAINING FOR EMPLOYMENT
COLLEGE OF EDUCATION
THE OHIO STATE UNIVERSITY

Research & Development Series No. 302-17

RECORD KEEPING

BEFORE YOU BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read What are the Objectives for this Unit on the following page. If you think you can meet these objectives now, consult your instructor.

3. These objectives were met in Level 1:

   - Discuss the reasons for keeping business records.
   - Identify the elements of effective record keeping.
   - Describe different types of records needed by small business.
   - Identify sources of record-keeping assistance.

4. Look for these business terms as you read this unit. If you need help with the meanings, ask your instructor for a copy of the PACE Glossary contained in the *Resource Guide*.

   Assets
   Break-even point
   Gross profit
   Liabilities
   Net profit
   Net worth
   Return on investment

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RECORD KEEPING

WHAT ARE THE OBJECTIVES FOR THIS UNIT?

Upon completion of this unit you will be able to—

- explain the importance of effective record keeping,
- identify records necessary for effective inventory control,
- explain records used for financial management,
- identify records used for effective human resource management,
- describe facility/equipment maintenance records, and
- discuss the value of using external record keeping assistance.

WHAT IS THIS UNIT ABOUT?

Successful record keeping is essential to sound business operation. The entrepreneur needs to take care when determining who will maintain the business records and how they will be maintained.

In this unit, you will explore several items, including the following: Who should maintain the business records? What data can be provided through the records? What records do you need to keep? In addition, *journals, ledgers, human resources, record maintenance*, and *inventory records* will be discussed.

WHY SHOULD YOU MAINTAIN A COMPREHENSIVE RECORD-KEEPING SYSTEM?

Business records provide the data necessary to formulate answers to the basic business performance questions identified by the Small Business Administration (SBA):

- How much business am I doing?
- What are my expenses? Which expenses appear to be too high?

- What is my gross profit margin? My net profit?
- How much am I collecting on my charge business?
- What is the condition of my working capital?
- How much cash do I have on hand and in the bank?
- How much do I owe my suppliers?
- What is my net worth; that is, what is the value of the business?
- What are the trends in my receipts, expenses, profits, and net worth?
- Is my financial position improving or growing worse?
- How do my assets compare with what I owe? What is the percentage of return on my investment?
- How many cents out of each dollar of sales are not profit?
- What is my break-even point?

These and other questions may be answered by preparing and studying basic financial statements and reports. To prepare these fundamental statements in a timely and accurate fashion, you must record information and transactions as they occur.

By keeping your records in an orderly fashion and in sufficient detail, you can answer many other vital questions about your business, such as: What products or services do my customers like best, next best, and so on? Do I have the right merchandise in stock to give my customers what they like? Am I prepared to render the services they demand most? How many of my customers are slow in paying their bills? How would my business change if I stopped giving credit?

In addition, good records can provide you with data needed to compare your firm's current growth rate to that of previous years, as well as compare the present year's goals with future goals. They can also provide figures to compare your firm's progress with that of similar businesses.

New studies of unsuccessful business ventures show that poor record keeping is one reason for business failure. Without the data that good records contain, the owner cannot make sound managerial decisions.

Record-keeping systems for businesses have many points of similarity, but they differ in some respects due to the nature and size of the individual business. Your records may take a variety of forms, depending on the nature of the business and the specific systems you select. Your records are designed to document significant facts for future use. Sales and inventory records, for example, may be utilized in predicting future merchandising trends. In addition, they may provide information that will be helpful to make decisions about purchasing.

Good use of systems and records is an essential part of effective management. As a small business owner, you will need to give

careful thought to development of appropriate systems, procedures, and records necessary to implement policies. Appropriate systems ensure that order will be established in business operations.

When employees follow a system, they perform their work and keep necessary records according to established procedure. If a regular routine is established to handle key business factors, such as inventory, cash flow, bill payments, payroll, and other items, there will be no need to waste time and effort in repeating and checking tentative solutions to problems that arise. Instead, appropriate records and procedures will help to ensure that company policy is implemented.

In addition, the small business owner who develops a working program of systems, procedures, and records will save valuable time. In small firms, it takes only a few minutes to perform various functions. As the firm grows, however, so do the individual operating functions. Thus, a job that required only a few minutes at one point in time may drain more of your time as the firm grows. This enables you—as a small business owner—to operate according to the "exception principle" of management. This means that employees understand systems and procedures and follow them as accepted practice. As a result, you—the owner—allow the business to operate, while you spend your personal time looking after exceptional situations.

WHO SHOULD MAINTAIN THE BUSINESS RECORDS?

Record-keeping systems range from simple to complex. The answer to the question Who should maintain the business records? may depend upon the complexity of your system and your personal experience. Regardless of the method you choose, remember that you will need to check the records periodically and use them in planning the firm's activities. They will also provide help in decision making.

When you first start out in business, you might choose to keep your own records. An accountant and other experts can help you set up both record-keeping systems and your books. However, the experience of doing your own books will—

- give you a feel for the importance of records,
- show you how your records can help you run your business,
- give you a first-hand look at how the business is operating,
- help you determine what items can be delegated to others, and
- give you the experience and knowledge to teach the system to others so they can perform the record-keeping activities.

As the business grows, you may feel that there are more demands on your time and that there are more profitable things for you

to do than keep records. Remember that the key to a sound record-keeping system is how you as the manager use the records to manage the business.

There are, however, several alternatives for maintaining the business records in more cost and time efficient ways.

Delegating selected record-keeping tasks to a well trained employee may be the most helpful to you in preserving your management time.

Hiring a part-time bookkeeper might be the solution, especially at the beginning. Often the new business owner simply cannot afford to go out and hire an outside firm to set up the bookkeeping system.

As your business grows larger, you may want to hire a full-time bookkeeper to make the daily entries for the company. You may also want to consider hiring an accounting firm to help you design or redesign your record-keeping procedures, prepare your tax reports, and conduct a regular financial analysis of your business.

Colleges with business courses very often welcome the chance to use "real live" case studies for their business students. Is there a college in your area that might like to use your firm as a prototype for which the class would set up a record-keeping system? If this is not feasible, perhaps an instructor could suggest a student that would like to set up your record-keeping system as an independent study. Or, you may wish to hire a part-time cooperative vocational education student to set up and maintain your records.

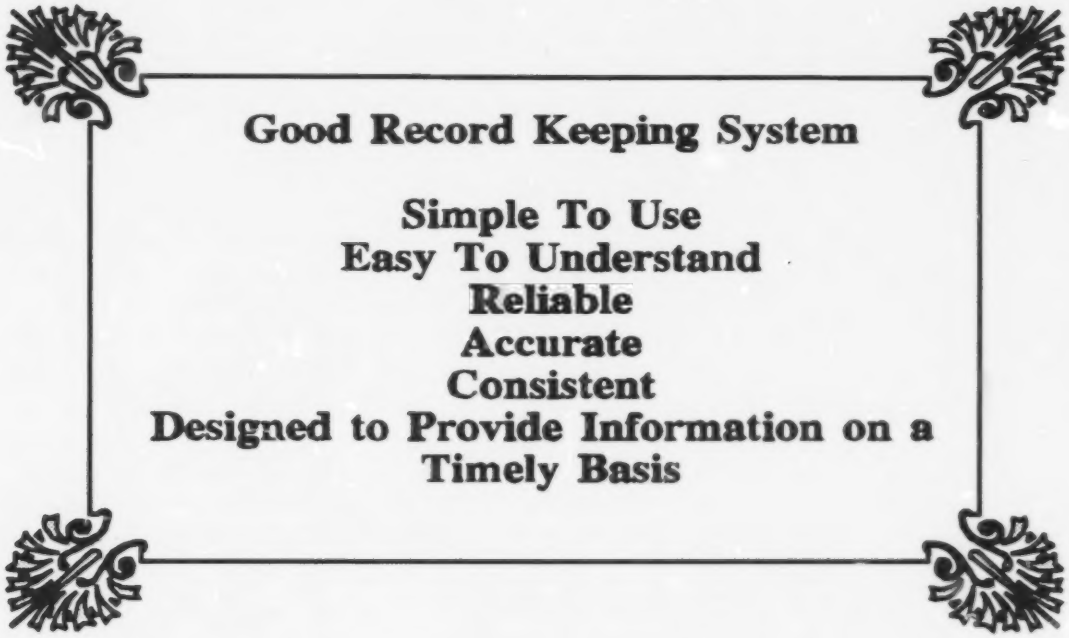
Suppliers or trade associations related to your type of business can provide you with guidelines or sample accounting records. The advantage of using these services is that the information and forms could be tailored to your particular business area.

Also, look at the resources available at your local office supply stores. Many of these stores carry convenient single-entry systems. Simplified record keeping books can save you much time.

Government and educational organizations are available to help small ousinesses with counseling and training in record-keeping issues. Two such organizations are SCORE (affiliated with the U.S. Small Business Administration), and the Small Business Development Centers located in each state, also affiliated with the SBA.

Many small business firms are using time-sharing computer services for one or more of their record-keeping needs. In a typical arrangement with such a service bureau, source documents (sales slips, receipts, etc.) are delivered to the service bureau according to a schedule. The service bureau staff inputs the transactions into the computer. The computer processes the input according to the programs established by the service bureau.

The widespread use of the computer and its relatively low cost has made new technology widely accessible to the small business. Many small business owners are using this technology for record keeping, reporting and management analysis. The computer or service bureau will not "make up" for deficiencies in the process you use to record and collect your source documents or for a lack of training of your staff.



Regardless of the method you choose for keeping records, you will want to maintain control over the more vital records. For example, you may wish to sign all checks, review sales contracts, and randomly check inventories. You will also need to set up a system to spot-check records regularly for accuracy.

As you design the record-keeping system for your business, remember the following requirements of a good record-keeping system: (1) simple to use, (2) easy to understand, (3) reliable, (4) accurate, (5) consistent, and (6) designed to provide information on a timely basis.

WHAT RECORDS ARE YOU REQUIRED TO KEEP FOR REGULATORY AGENCIES?

Because each business and locality will have different license, permit, and tax requirements, your first step should be to contact the appropriate agency in your state. Many states maintain a program within their departments of Development or Commerce to assist businesses in determining regulatory needs. In general these will fall under the following categories:

- Federal (tax-withholding, hazardous materials, interstate commerce, agriculture, food and drugs, medical products)

- State (tax-withholding, unemployment insurance, workers compensation, corporate registration, industry specific permits and licenses)

- County and Local (tax-withholding and sales, vendors licenses, zoning, construction)

WHAT RECORDS SHOULD BE MAINTAINED?

In order to direct and control the firm effectively, you will need to obtain information regarding each of the company's important activities. Such data should enable you to maintain balance among the various business functions. The Small Business Administration has indicated that the following information may be necessary:

Sales. Purpose: How can I increase my sales?

- Summary of orders received
- List and condition of open orders
- Summary of sales and comparison with earlier records
- Analysis by area, product, and customer or type of customers
- Historical records for each customer, recognition of major customers
- List of customer complaints and suggestions with appropriate followup responses
- List of potential customers
- Discount rates and terms for various customers
- Sales expense records, earnings, and percentage cost of sales for each salesperson
- Record of individual sales transaction
- Summary of daily sales
- Sales plan
- Sales promotion plan

Warehouse and Shipping Control. Purpose: How do I avoid bottlenecks and production or customer problems?

- Receiving reports
- Receiving and placing into stock the production reports by packages and individuals
- Picking, packing, and shipping production reports
- Bills of lading and signed shipping documents
- Customer return reports
- Back order control documents

Quality Control. Purpose: Customer satisfaction and mandated standards.

- Proportion of rejections from receiving and production departments (scrap, seconds, and rework)
- Reasons for rejections, internal and external
- Production quality records for each machine or workstation
- Maintenance records and schedules for each machine
- Calibration records for your gages and measuring equipment
- Amount of stock on hand (raw materials, goods in process, fabricated parts, finished goods, consigned goods)
- Amounts on order (either production in shop or purchase orders)
- Amounts allocated for certain jobs or customers
- Rate of parts or product usage and turnover
- Material requisitions
- Your quality control system manual

Inventory and Purchasing. Purpose: How can I acquire the right parts, on time, of the best quality, at a competitive price, without waste?

- Purchase requisitions (vendor, receiving department, and office)
- File of unfilled purchase orders
- List of suppliers, costs, and terms of past purchases
- File indicating when suppliers mayhave special offerings (important for retail, warehouse, and service industries)
- Inventory control record
- Item perpetual inventory record
- Model stock plan
- Out-of-stock sheet
- Open-to-buy record
- Purchase order file
- Open purchase order file
- Supplier file
- Returned goods file
- Price change book
- Accounts payable ledger

Cost Accounting. Purpose: How can I concentrate on things my company does well at? How can I improve my cost estimates and bids?

- Labor, material, and overhead costs for each product or job lot
- Gross profit by item (applicable to certain retail and Wholesale industries)

Finance and Credit. Purpose: How can I avoid "cashflow" problems?

- Monthly trial balance
- Financial statements (profit-and-loss and balance sheets)
- Cash position
- Aging of accounts receivable anda c - counts payable
- Credit limits for customers andcollection system
- Charge account application
- Accounts receivable ledger
- Accounts receivable aging list

Bookkeeping. Purpose: How can I generate the timely management reports needed by the bank, my investors, and myself?

- Daily cash reconciliation
- Cash receipts journal
- Cash disbursements journal
- Bank reconciliation
- General journal—for double entry systems
- General ledger—for double entry systems

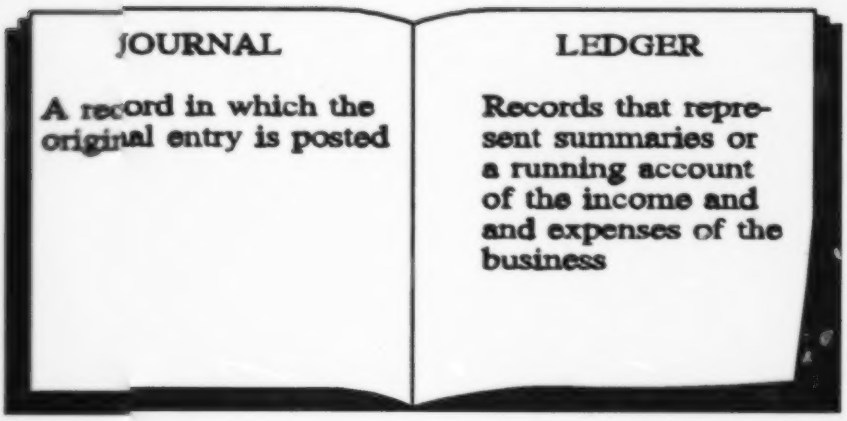
Payroll and Personnel. Purpose: How can I manage the human resources within my company?

- Record of employee earnings and amounts withheld
- Employee's withholding exemption certificate (W-4)
- Record of hours worked
- Record of expense allowances
- Employment applications
- Record of changes in rate of pay
- Record of reasons for termination of employment
- Record of employee benefits
- Job description
- Crucial incidents record

Fixtures and Property. Purpose: How can I keep facts needed for taking depreciation allowances and for insurance coverage and claims?

- Equipment record
- Insurance register

The kinds of records you will need and the number of different records you will keep will depend on your business. For every record you keep, you should be able to answer these questions: How is the record used? How important is the information? Is the data available elsewhere in an equally accessible form?


JOURNAL
A record in which the original entry is posted
LEDGER
Records that represent summaries or a running account of the income and and expenses of the business

The record-keeping plan you set up must provide the information you need to make various business decisions. Try to keep all your records as simple as possible. As a small business owner, your record-keeping system needs to be easily understood and accurately maintained without difficulty. You want good data that may be assessed quickly and easily. If necessary, you can consult an outside expert in these matters. However, for each record you must keep, three additional questions must be answered before you will have a working system.

- Where will the record be physically located?
- How long will inactive files be maintained?
- How will back up security beprovided in the case of fire, theft, computer failure or other damage?

WHAT ARE JOURNALS AND LEDGERS?

You may find when you purchase record-keeping forms that the words *journal* and *ledger* may not be used consistently or may even be used together. Even though the idea behind the record-keeping system may be more important than the terms used, it is helpful to become familiar with the general use of each term. The word *journal* is used for records in which the original entry is made or posted. Journals are "fed" by source documents such as sales slips, and so forth. The word *ledger* is used for records that represent summaries or a running account of the income and expenses of the business. Ledgers are "fed" by the corresponding journals.

There are several different journals that should be kept. They include (1) the *daily sales and cash summary*, (2) *accounts*

receivable, (3) *accounts payable*, and (4) *the payroll register*.

WHAT IS THE DAILY SALES AND CASH SUMMARY?

The daily sales and cash summary is a summary of the amount of cash received, charge sales, and collections from accounts receivable (money owed to the business from credit transactions) for a particular day.

Date September 15, 19___	
Cash sales	$435.00
Charge sales	75.00
Accounts receivable	80.00
Miscellaneous	10.00
	$600.00

Figure 1. Sample daily sales and cash summary

Entries must be made accurately and daily, since they provide the basis for many other records. Information from the daily sales and cash summary can be used by you, the owner, in a variety of ways. It can be used as a daily check on the accuracy of your daily income records to analyze your firm's progress toward its goals and to help you make future plans. In addition, your sales records will help you analyze advertising effectiveness. They will help you determine the amount of inventory your firm should have on hand.

The daily sales and cash summary forms range from simple to complex, depending on the firm's needs. You can probably design a form that best meets the needs of your business. Figure 1 and Figure 2 are two types of daily sales and cash summaries. As you are reviewing these forms, keep in mind the specific source documents that are collected to produce each type of journal. For example, charge sales in Figure 1 is the sum of the day's cash register tapes marked "credit sales."

HOW DO YOU RECORD ACCOUNTS RECEIVABLE?

The accounts receivable journal is your record of how much is owed to your business by your credit customers. If your business extends credit to its customers, you will want to make entries in the accounts receivable journal daily and review the journal at least monthly. Daily recording of any new credit given or payments made will give you a current picture of the credit status of each customer. A weekly or monthly analysis of your total accounts receivable records can help you make decisions on extending credit and prepare accurate billings. This analysis maintains good customer relations, while evaluating your firm's credit and collection policies.

DATE _____

Receipts

1.	Cash sales	$ 435.00
2.	Accounts receivable	$ 80.00
3.	Miscellaneous	$ 10.00
4.	TOTAL CASH RECEIPTS	$ 525.00

Cash Count

5.	Cash in Register	
	Checks	$ 65.00
	Currency	$ 695.00
	Change	$ 25.00
6.	Cash and checks in vault	$ 785.00
7.	Petty cash slips	35.00
8.	TOTAL CASH	$ 825.00
9.	Less bank deposit	$ 500.00
10.	TOTAL CASH	$ 325.00

Total Sales

11.	Cash sales - Line 1	$ 435.00
12.	Charge Sales	$ 75.00
13.	TOTAL SALES	$ 510.00

By: _____

Figure 2. Sample daily sales and cash summary

Small firms often keep their accounts receivable records on file cards or in a loose-leaf binder. For each customer you will need a separate sheet or card to be filed alphabetically. A typical accounts receivable record is represented in Figure 3.

Customer: Ann Flower Phone: 455-6387

Address: 23 Florence Road, Venice, FL

Date	Invoice No.	Charge	Payment	Balance
11/1/94	6734	$427.00	$427.00	$0.00

Figure 3. Sample accounts receivable record

Computer accounting software can be profitably applied by automatically "flagging" overdue accounts and generating a reminder to you (and a follow-up bill for the customer).

HOW DO YOU RECORD ACCOUNTS PAYABLE

In the accounts payable journal, you record amounts your business owes others for cash items such as inventory purchases, repair services, and taxes due from payroll. Every entrepreneur wants to maintain accurate records of the firm's liabilities.

A typical accounts payable record might look like Figure 4. Like the accounts receivable records, you will keep separate accounts payable records for each supplier and service firm.

WHAT PAYROLL RECORDS DO YOU NEED?

It is important that you, as an employer, keep accurate employee payroll records. These records are not only important for you and your employees, but the information they contain is needed at tax time.

Name: Complete Supply Company Phone: 457-1234

Address: 45 Elm Street Welsmore, Ohio

Date:	Invoice No	Charge	Payment	Balance
9/11/93	6734	$427.00	$427.00	-0-

Figure 4. Sample accounts payable record

Payroll records for both part-time and full-time workers also show total hours worked (if applicable), wages, and all deductions from wages. A sample entry form for an hourly wage employee is shown in Figure 5. Payroll records might include the firms's information shown in Figure 6.

You might add or delete items from the following samples, depending on your firm's practices and employee benefits programs.

HOW ARE INCOME AND EXPENSES RECORDED IN THE LEDGER?

Ledger entries can be used for preparing the financial statements needed for financial planning and decision making. Information can be transferred to the various ledgers in summary form. One method of using a ledger is to record summaries or balances of assets, liabilities, and net worth of your business.

Income and expense entries are also recorded in ledgers. The entries in the income portion of the ledger will include accounts that describe income items of the business. The expense ledger entries probably reflect the largest grouping of accounts, which, in turn, reflect groupings of your most frequent expenses.

Note the account numbers next to each item in a ledger. These numbers sequence and classify the accounts, making it easier to enter transactions and summaries from your journal. For example, in an income ledger, each business will have a sales account that would show the amount of sales. For example, the journal entry in Figure 2 for total sales ($510) would contribute to the income ledger in Figure 7, Account No. 500 (Sales). You might also want to record the ledger account number on the stub of your check to make record keeping easier. Figure 7 also illustrates some additional accounts that might be included in income and expense ledgers.

WHAT IS THE INVENTORY CONTROL FUNCTION?

Inventory is the raw materials, goods to be resold, parts, shop and office supplies, and machinery and equipment needed by the business to perform its functions. Depending upon the type of business that you are opening, you will need some type of control system to keep track of your inventory.

These records will also supply you with information for use in purchasing, maintaining appropriate stock levels, and computing stock turnover ratios. The information you get from your from your inventory records will help you make many business decisions. For example, it will help you decide whether you have too much or too little stock.

Having too large an inventory may tie up too much capital and cause you to lose capital, since the stock may become outdated and of little value. The cost of maintaining an unnecessarily large inventory because of the lack of proper control records may put you out of business. In addition, storage costs can be expensive, so that storing more inventory than is necessary can be a drain on your business's income.

THE JOHNSON-FRISBY CORPORATION

Pay Period _____ From _____ To _____

Work Status (check one)

☐ Classified ☐ Temporary ☐ Student ☐ Casual

Name _____ ID Number _____

Last Name First Name

Date	Days	Time				Hours Worked	Hours Sick Leave	Hours Vacation	Overtime	
		In	Out	In	Out				Prog Code	Hours
	Mon									
	Tues									
	Wed									
	Thur									
	Fri									
	Sat									
	Sun									
	Mon									
	Tues									
	Wed									
	Thur									
	Fri									
	Sat									
	Sun									
Total Hours										

I hereby certify that the information above is complete and accurate for the time period indicated.

Employee _____ Assoc. Dir. _____

Supervisor _____ Overtime Approval _____

DO NOT WRITE IN THIS AREA

Payroll _____

Sick Leave _____

Vacation _____

Overtime Rate _____

Overtime Hours _____

Excused Absence Code _____ Hours _____

Checked by _____

INSTRUCTIONS

1. Indicate total hours worked each day (lunch hour is assumed unless otherwise specified).
2. Report absences to Personnel Services using Application for Leave Form.
3. All hours worked over 40 hours during a week are to be marked as overtime.

Figure 5. Sample entry form for hourly wage employee

_____ Name of employee
_____ Number of Exemptions
_____ Ending Date of the Pay Period
_____ Hours Worked (if applicable)
_____ Rate of Pay
_____ Total Wages

Deductions (Itemized to include: federal tax, FICA—Social Security, state and/or local income tax, and state disability insurance, if applicable. Other deductions might include health insurance and retirement fund.)

Figure 6. Sample payroll register

INCOME LEDGER		EXPENSE LEDGER	
Account Number	**Item**	**Account No.**	**Item**
500	Sales	600	Salaries & Wages
510	Repair Service Income	601	Payroll Taxes
		610	Rent
590	Miscellaneous Income (for example, sale of stock)	620	Office Supplies
		630	Insurance
		640	Utilities
		650	Travel
		690	Miscellaneous Expense

Figure 7. Sample income ledger

ACTIVITIES

The following activities are designed to help you apply what you have learned in this unit.

INDIVIDUAL ACTIVITIES

Start developing a list of resources and/or a library of resources regarding record-keeping for use in your business.

A.

Identify a small business owner. Interview this person to determine the following information about the nature of the small business owner's record-keeping system. Consider the following questions:

- How does your system of records keep track of your income and expenses, what you owe other people, and what other people owe you?
- How do you keep track of your inventory so that you will always have enough on hand for your customers but not more than you can sell?
- How do you keep your payroll records so that they take care of tax reports and payments?
- How are your financial records maintained?

B.

Identify the types of records that you will want kept as a small business owner.

C.

Determine who will keep the records for your business and how they will be maintained.

GROUP ACTIVITIES

A.

Invite the following people to your class to talk about record-keeping systems for small businesses:

- Cash register salesperson
- An accountant
- A computer salesperson

B.

Using the lists of records provided in this unit, prepare a corresponding answer to this question: How would you use each particular bit of information to better manage your business?

C.

Using the information obtained through the second individual activity, prepare a class report about the nature of record-keeping systems in small businesses in your hometown. Identify the number of small business firms that are using computers and specify the systems that are being used.

CASE STUDY

Jay Allen has always been interested in sports. He is planning to open a sporting goods shop when he graduates from the local junior college in May.

Jay has enrolled in a few accounting courses, but he doesn't consider himself an expert in the area of accounting. His major interest is sports.

Assume the role of advisor to Jay, a potential small business owner. He will need help answering the following questions.

DISCUSSION QUESTIONS

1. What records will Jay need to maintain?
2. Initially, who will keep the records?
3. Should Jay use a computer-based records system?
4. What payroll records need to be maintained?

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ASSESSMENT

Read the following questions to check your knowledge of the topics presented in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. Identify external sources of assistance for keeping the business records.
2. Why is it important to keep accurate, up-to-date, and complete records?
3. Describe records that are needed to manage your inventory.
4. What records are needed for financial management?
5. Identify specific records that you would use in managing your employees.
6. What records would you keep on your facility and production equipment?
7. Give some examples of records that are kept to satisfy regulatory agency requirements.

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PACE

Unit 1. Your Potential as An Entrepreneur
Unit 2. The Nature of the Small Business
Unit 3. Business Opportunities
Unit 4. Global Markets
Unit 5. The Business Plan
Unit 6. Help for the Entrepreneur
Unit 7. Types of Ownership
Unit 8. Marketing Analysis
Unit 9. Location
Unit 10. Pricing Strategy
Unit 11. Financing the Business
Unit 12. Legal Issues
Unit 13. Business Management
Unit 14. Human Resources
Unit 15. Promotion
Unit 16. Selling
⇨ Unit 17. Record Keeping
Unit 18. Financial Analysis
Unit 19. Customer Credit
Unit 20. Risk Management
Unit 21. Operations
Resource Guide
Instructor's Guide

Units on the above entrepreneurship topics are available at the following levels:

* Level 1 helps you understand the creation and operation of a business
* Level 2 prepares you to plan for a business in your future
* Level 3 guides you in starting and managing your own business